

DEPARTMENT OF STATE

WASHINGTON

January 6, 1959



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Dear Fritz:

Audianzad By: H. D. Ora

August 4, 1975 HVA I am enclosing herewith a copy of Gerry Smith's memorandum on the meeting between Secretary Dulles and Secretary McElroy that took place on December 5. You will recall that this is the meeting that I described to you in general terms in Paris. It took place the morning that the Secretary returned from Mexico and California. Following the meeting with McElroy, the Secretary met with the Draper Committee. In the afternoon of December 5 we had our second substantive briefing meeting with the Secretary in preparation for the December Ministerial meeting. This briefing was largely given over to a discussion of MC-70 and the U.S. contribution to MATO. Shortly after our briefing meeting ended, the Secretary went to the hospital with his recent illness.

The attached memorandum provides a good summary of the problem which arose again in Paris and will, I am sure, continue to be a

As the attached memorandum is the only copy in EUR, I would request that you return it to me just as soon as you, the Ambassador, Joe and Ray Thurston have had a chance to read it. Ray will, of course, wish to show it to Larry Norstad. I would request that it not be circulated any further, and that under no circumstances should it be shown to Haskell or any of his people. Obviously, the material in the attached memorandum is extremely sensitive and I hope it will be treated with all due care. Also, there should be no reference to this memorandum in any telegraphic correspondence.

Sincerely,

Timmons

Enclosure:

Cy Memo Conv 12/5/58, w/Secy, McElroy, etc., TS Control # S/P-58325-6A.

The Honorable

Frederick E. Nolting, Jr., Deputy Chief of Mission, USRO, Paris.



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December 5, 1958

Department of Defense Budget Problems; NATO Ministerial Macting.

State.

Secretary Dulles Christian A. Herter C. Douglas Dillon Robert Murphy Livingston T. Kercha

Copies to:

Livingston T. Kerchant 1. Frederick Reinhardt Gerard G. Smith

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Defense

Secretary Mc lroy Bonald A. Querles John M. Frwin, II

Jos General Methon F. Twining

White House Cordon Gray

Secretary McElroy said that he would like to discuss with the Secretary two questions—preparations for the MATO Ministerial meeting and certain problems regarding the Department of Defense budget. He said that he had followed the foreign policy guidance of the Secretary of State at a meeting on Saturday, November E.

Secretary McClroy pointed out the need to have a strong nuclear retaliatory force as well as forces to cope with limited a crossion. He recognized that we would need these forces for a long time. A Presidential decision will be needed on budgeting for an additional large sireraft earrier with nuclear power, coating about \$300 million. The Many target is to have 12 large carriers so as to permit his to be on station at all times. He expressed concern over the possibility of the U. S. having to cope simultaneously with two or three limited war situations. He spoke of the advantages of nuclear-powered vascels as opposed to conventional powered. It was agreed that the Fresident, at the recent Augusta meeting, had not been in favor of this carrier. Socratory McSiroy pointed out the advantage of aircraft carriers in limited war situations, and suge osted that Secretary McSiroy pointed out the advantage of aircraft carriers in limited war situations, and suge osted that Secretary McSiroy pointed out the advantage of aircraft carriers in limited war situations, and suge osted that Secretary McSiroy pointed out the advantage of aircraft carriers in limited war situations, and suge osted that Secretary McSiroy pointed out the advantage of aircraft carriers in limited war situations, and suge osted that

Secretary Pulles said it was very difficult for him to take a position on the morits of any individual military item. He felt

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that the U. S. needed a continued and, perhaps, increased limited war capability, but he was in no position to judge how the military should plan for this.

Ascretary Mekhroy said he was going to submit the carrier item and leave it to the President to remove it if that was his wish. From Stray said that he understands the President wished this item to be deferred.

Mr. Herter saked if the Presidenthal established a budget ceiling for the DOD. Secretary Memiroy replied "no". He said the President may wish to do this, but had not so far. Mr. Gray pointed out the difficulty that a military budget ceiling would have for the President, especially with Congress.

Secretary Dulics pointed out the undesirability of a "Procrustes bed" approach to defense budgeting.

Secretary Dulles pointed out the likelihood that likelihood sourcessions would occur simultaneously rather than seriating as had been the case in the past. So far the Communists had probed our will to meet force with force, and had probed with force in an effort to create sliked splits. So far the Communists had not probed to test our strength, but if we reduced our strength we could expect this

Secretary Making pointed out that the United Mingdom was no longer dependable as a mayel power.

Secretary Bullos said he recognized the dilemm that we are facing. We depend on a free society with private initiatives. Ontimed deficit financing and high taxes may destroy this wital element, but we must consider the recourses of the forced manneuer of the forcet bloc. We must realize that we cannot have security cheaply and without sacrifice. The Secretary said he was not clear as to where the line should be drawn between these two considerations.

Secretary McGlroy said that orders had gone out to the Army to reduce force levels to the Presidential budget of PY 1957. This will require a 30,000 man reduction. This will pinch the army in regard to overscas deployments. We must face the fact that our forces abroad must be cut over the long term or our military budget will go way up. It appeared that the reduction for this year could be handled without significant reductions in overseus deployments.

However,







However, further cuts seemed inevitable. It did not appear sensible to make the next cut by, eay, 50,000. The next reduction would probably have to be of the order of 125,000, or which 75,000 would come from the Army and the Marines. A smaller force would require more central positioning, which means that our MATO forces would have to be out significantly in the future.

denoral Twining thought that the Suropean nations would not neet the goals set out in MC-70. This raised the question as to whether we would try to reach our MC-70 goal or whether we much try to reach one MC-70 goal or whether we should cut too and go to a changed company of Suropean defense. If others were reducing forces, why not go down as a group?

Secretary Morlroy said that the State I-spacement papers being prepared for the State Ministerial meeting were proposing a hard line on MC-70. This, in effect, meant holding our own feet to the fire.

Mr. Dillon said that the opinion that the duroposan would not be set the MC-70 goals assumes that intual Recurity funds would not be evailable to finance the NS-70 equipment requirements.

Secretary McPlroy sold it was not just a question of aquipment, but also of force levels. The 'anish Prime Minister had adviced him of upcoming 'anish cuts in their forces, the latted Mingson is planning on further outs, and the French have not been helpful. It is not clear how the dermans will act.

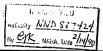
Gordon Gray pointed out that the rapidly diminishing backlog of military assistance funds would have a substantial effect on our foreign military aperations in the next fow years.

Secretary McKircy pointed out that certain missile programs would have a bearing on MATO expectations.

Secretary Pulles asked about the proposed 30,000 out in force levels in fiscal 1959 and asked how much would have to come from Europe. Secretary Mexicoy and that Consell Forceat was studying this question—that he had to meet several requirements that have not been programmed for, such as the HATO atomic stockpile. General Horated trinks that the force reduction can be made without algorificant withdrawals from Europe, but some force withdrawals may have to come out of tactical forces. The five divisional organisation would, however, remain.

Secretary







Secretary Dulles pointed out that under present conditions of the Berlin crisis it would not be a good time to remove forces. Popular interpretation would tend towards saying such a move is leading to the collapse of EATO if it was done precipitously. However, if the withdrawals could be done slowly that would be enother matter.

Secretary McMiroy said that the Department of Defense would go shead with its planning and would not take any decisions without checking with the Secretary of State.

Mr. Quarles pointed out that it was possible that two hattle groups would have to be removed from the 7th Army in Germany.

Consert Twining said he was not in favor of cutting our NATO support, but he believed that it was not our force contribution that was the important thing, but the solidarity of the alliance. He pointed out that the European matters are unhappy about our continually pressing them to keep up their forces. We should talk to then about our difficulty in keeping up our forces. If we are going to get down to an over-all force level of 2.h million, we must withdraw troops from abroad. The Freaident said that our five-division strength in Europe was only a temporary measure.

Mr. Merchant



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Mr. Merchant peinted out that the MC-70 program was a five-year plan. We should not emphasize too much the inability of certain countries to meet their first-year commitments. In view of the present Melaire in MATO and the Berlin crisis, public knowledge of US force cuts now would have an extremely serious political impact. If there were to be reductions in our support for 3ATO, the annual review procedure should be used. If we propose a review of MC-70 now based on our inability to meet our commitments, there will be very serious repercussions.

deneral Twining pointed out that five American divisions are not stopping the idesians. On should take a "cold look" at the required UE force levels in Auropo.

hr. Irwin pointed out that the Barcan of Badlet was proposing cuts in the Battal feedrity program from the Congress would probably out deeper. A resultant military assistance badlet of cl.2—ing of Mato forces with new Weapons. He pointed out that we have not yet reached the expensive piace of the EC-70 program. If we get out to a poor start, we may never be able to get up to the required level to meet KC-70.

General Twining pointed out that the Germans had not carried their full load and that if we stopped carrying the load they would pick up the slack.

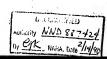
Secretary Dulles pointed out that this may be so militarily, but it could also result in the dermans reconsidering their entire political orientation.

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Secretary Dulles asked about the IRBM situation. Secretary NcKirey said that it depended on whether or not Jupiters would be deployed to France. He suggested that we may end up with IRBMs in "reserve stocks"



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He asked if Italy was serious about stationing IRBEs. The Secretary felt that Italy was, but there were financial problems.

Secretary McElroy asked if the United Kingdom would be willing to buy more than the four squadrons presently planned on.

Mr. Quarles said that Ambassador Burgess believed it important that at the MATO Ministerial meeting we continue to support a program of ten squadrons for Europe, including the United Kingdom.

Secretary Dulles pointed out the dangers of any appearance of US unfreezing its position. We must avoid the appearance of weakness, or an appearance of reacting to Soviet pressure.

Mr. Quarles said that AmbassadorBurgess had said to him that the French were now preparing a proposal with regard to HRMs. Mr. Irwin said the Germans were expressing an interest in them.

Secretary McElroy said that at the NSC meeting the next day he planned to propose force levels for FY 1960 at the same level as June 30, 1959. Spending rates for the Department of Defense would be slightly up. The proposed Department of Defense budget will result in a number of establishments being closed down, which would cause some unemployment. This will have an effect on the economy.

Mr. Gray pointed out that with the reduction in the backleg of mutual security funds, which could be carried over from previous years, our freedom of action in the foreign field will be substantially reduced. Fig. Inwin pointed out that we will not be able to dip into these funds for emergencies, such as Quemoy.

Mr. Smith asked what effect the proposed budget cuts for fiscal 1960 would have on STMAC. General Twining said that the combat strength of STMAC had already been cut by 25%.

There was some discussion as to whether the necessary cuts in fiscal 1999 force levels to bring them down 30,000 could be made from our Korean divisions. Secretary Dulles

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pointed





pointed out this could not be done without losing the UN command concept.

In closing Secretary Ecklroy said he was not looking for decisions at this meeting. He marely wanted to discurs his problems with the fecretary of ftate. He was sure the President would be disappointed that the Department of Defense would not be able to make further cuts. He also hoped to have the support of all the Joint Client.

Fig. Irwin pointed out that cuts in lateal fecurity would effect the rands of the Department of Jerense since a musber of progress were dependent upon rands generated by military sales to the initial facurity Progrem.

Governor Herter agged that the effect of theo-\$500 million cut in Euthal Security Tunds would have on the Department of Defence. Fr. Irwin pointed out that he was still discussing this with the Europa of Ladgot.

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